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September 19, 2011

SEP 26 3 09 PM '11

Judge Linda Riegler
US Bankruptcy Court
District of Nevada
Foley Federal Building
300 Las Vegas Blvd
Las Vegas, Nevada 89101

U.S. BANKRUPTCY COURT
HARVEY M. MILLER

Dear Judge Riegler,

I have enclosed the letter and information that I originally sent to you in July concerning USA Capital and the Fox Hills loan. If you review the information you will see that USA Capital was not an innocent conduit.

In 2005, their funds were depleting and borrowers were defaulting on loans. USA Capital hid this fact from investors as they solicited more funds. They solicited funds for Fox Hills loan just before they declared bankruptcy.

Please review the information I have enclosed.

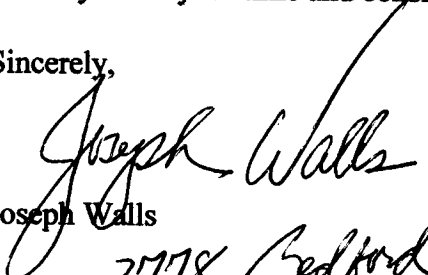
I appreciate that you have scheduled a hearing on September 30, to which I have been invited. I received a letter from Marilyn Schoenike, legal assistant at Lewis and Roca law firm. It states that if I do not appear, it will be presumed that I have withdrawn my response.

Judge Riegler, my response is not withdrawn. The facts are as listed in this letter to you. I do not have further information to convey, but the information I have provided shows that USA Capital is the reason why so many have lost their money.

I do not have a lawyer to assist me in this terrible situation, and it is cost prohibitive for me to leave my job, and travel to Las Vegas.

Thank you for your time and consideration.

Sincerely,


Joseph Walls
2778 Bedford Way
Carson City, NV 89703

July 23, 2011

Judge Linda Riegle
US Bankruptcy Court
District of Nevada
Foley Federal Building
300 Las Vegas Blvd
Las Vegas, Nevada 89101

Dear Judge Riegle,

I am writing this letter because I have received notice for the law firm Lewis and Roca, who state that "the USACM Trust contends you do not have a valid claim based on your investment in this loan" (Fox Hills 216, LLC).

The notice basically claims that USA Capital was merely a conduit, and I knew the risks of investing in this loan. It is now known that USA Capital was soliciting money in effort to keep their scheme running.

Please see the enclosed article that states that USA Capital stated that "no investor has ever lost a penny of principal" when investing with USA Capital. The article also states that in 2005 USACM hid the fact that borrowers were defaulting, which resulted in depletion of impound funds that were used to pay interest to lenders. "In a bid to stay solvent USACM not only continued to collect fees by originating speculative loans into a weakening real estate market but told investors that loans had been extended when in fact the loans had paid off. The proceeds of the payoffs, instead of being paid to the rightful beneficiaries, were diverted to pay thousands of other investors their monthly interest checks. As such every loan in the portfolio appeared to be performing." This does not sound like an innocent company.

Before USA Capital solicited funds from me for Fox Hills 216, LLC in January 2006, I had invested in four other loans. Because of USA Capital officials hid the fact that they were in trouble with those and other loans, I invested in the Fox Hill loan. USA Capital acknowledged my loan with a letter on February 1, 2006. That letter states "USA Capital continues to underwrite all loans with the same care and diligence we have used since 1989". Less than three months later USA Capital declared bankruptcy.

Much has been made that investors were seeking high interest in these loans. I was merely seeking diversification. Stocks were returning 10 - 25% at the time my loans were initiated. This loan was advertised to return 12.5%. I, unlike USA Capital, was not being greedy. I was diversifying with a company that was hiding the fact that they were in trouble.

The borrower for this loan was Mr. Kent Hoggan. Exhibit B was supplied by USA Capital to potential lenders in effort to encourage investment. It states that "Mr. Hoggan has a net worth of approximately \$210 million".

If Mr. Kent Hogan approached me in January 2006, I would not have invested with him. But it was USA Capital who solicited my funds. Without USA Capital, that money would be in my bank account.

I do not know who has my money now.

USA Capital solicited money from me, when their officials knew there were problems, when they were near bankruptcy, when they need more funds to try to bolster their scheme. USA Capital did not disclose these problems when they solicited the funds from me. To believe that USA Capital was an innocent conduit would be extremely naïve. It would also be outrageous if USA Capital officials, and the USA Capital Trust is not ordered to repay Principal and/or restitution to the Lenders that they deceived.

Thank you for your time.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joseph Walls", with a long horizontal flourish extending to the right.

Joseph Walls
2778 Bedford way
Carson City, NV 89703

Enclosures:

1. Letter to me from USA Capital dated February 1, 2006.
2. My Proof of Claim Form for Fox Hills 216 loan.
3. Exhibit B.
4. USA Capital article.

USA Capital

From Wikipedia, the free encyclopedia

Popularly known as USA Capital, hard money lender USA Commercial Mortgage Co.(USACM) was a Las Vegas, Nevada based mortgage broker owned by Tom Hantges, Joe Milanowski and Paul Hamilton. Affiliated with the lending/brokerage activity at USACM was a management company (USA Securities) and two funds, the Diversified Trust Deed Fund for Nevada residents only, and the First Trust Deed Fund.

There were two general categories of investors; 1.) fund investors who pooled their cash with others and allowed USACM to select which investments would be made and 2.) investors who desired to evaluate projects for themselves before investing in an individual loan. The latter were known as direct lenders.

Though there were instances of a single direct lender funding an entire loan, the vast majority of loans were funded by many entities, which included the two Trust Deed Funds themselves. Typically loans ranging from \$3,000,000 to \$30,000,000 would be funded by between 30 and 300 persons, each of whom was a fractional beneficiary of the promissory note.

The loans brokered by USACM offered investors high interest rates relative to the prevailing safe rates available on CDs and Treasury Notes. Publicly at least, USACM maintained a nearly unblemished record of stability and integrity ~~for over 10 years. The company has never lost a penny of principal.~~

~~When borrowers signed their loan documents, USACM would disclose hard terms. This included hefty upfront origination fees and loan points, ongoing servicing and extension fees, and back end equity participation or success fees all of which were payable to USACM. The retail investors received interest only.~~

Very often loans were made on land or projects that were very early in the development, entitlement or marketing stage. These properties did not generate rental income in most cases, so sales of units, or the refinance or sale of further entitled land was required to pay the investors back. ~~Loans were generally funded with the investor's own money and as a result repayment of most loans was almost entirely dependent on continuing high demand for conversions and stable or accelerating demand for buildier ready land.~~

~~In 2006 with impounded funds depleting and the reduced ability of borrowers to sell condos to the public or sell land to builders, borrowers began to default on their obligations. USACM hid this fact from both the Nevada regulators and the investors. In a bid to stay solvent USACM not only continued to collect fees by originating speculative loans into a weakening real estate market but also borrowers that loans had been extended when in fact the loans had paid off. The proceeds of the new loans were used to pay to the rightful beneficiaries, were diverted to pay thousands of other investors their monthly interest checks. As such every loan in the portfolio appeared to be performing.~~

On April 13, 2006 the company surprised over 6,000 investors when it declared bankruptcy. At the time of insolvency the company was managing \$962,000,000 in investor assets, making it the biggest bankruptcy case in the history of Nevada.

Marc Levinson, an attorney representing investors in USA Capital likened the operation ~~to a Ponzi scheme~~ http://www.reviewjournal.com/lvrj_home/2006/Aug-05-Sat-2006/business/8898792.html) The index funds disclosed the company's financial matters when it was disclosed that ~~Levinson and Milanowski owed \$9.8 million to a reputed former associate of the company's~~ ~~boss, John [2]~~ <http://www.reviewjournal.com/special/stories/nevada/2006/08/20/122010000.html>)

In November, 2006 some investors organized themselves as the USA Capital Lender Protection Group. By March 2007 membership had grown to over 750.

On March 15, 2007 New York private equity firm Compass Partners announced they were the highest bidder at a bankruptcy court auction. [3] (http://www.reviewjournal.com/lvrj_home/2007/Mar-15-Thu-2007/business/13160811.html) The company paid \$47 million for the right to service most of the outstanding loans, and for the assets of the USA Capital First Trust Deed Fund. Many investors were opposed to the involvement of Compass.

The same month, investors received letters from the FBI informing them that they were possible victims of a crime and that USACM was under investigation. According to an investment prospectus distributed to the Diversified Fund investors all invested funds would be secured by real estate. This was not the case as at least one sizeable unsecured loan was made to an entity owned and controlled by one or more of the principals at USACM. As a result Joseph Milanowski accepted a plea bargain and was sentenced to 12 years in prison on one count of wire fraud.

USA Capital's management was also found to be directly involved with several of the developers that were being funded, a conflict of interest and the Nevada Mortgage Lending Division later issued an opinion stating that the profit participations USACM negotiated on its own behalf while originating the loans were contrary to Nevada law.

On June 7, 2007, Michael Carmel, a Chapter 11 Trustee was appointed in the Thomas Hantges Bankruptcy Estate. The Trustee retained Brian Shapiro, Esq of the Law Office of Brian D. Shapiro, LLC as his local Las Vegas Bankruptcy counsel and Robbin Itkin, Esq. of the Law Office of Steptoe and Johnson as his general counsel. They are currently investigating the assets and transactions of Thomas Hantges.

External links

- Website for USA Capital (<http://www.usacapitalcorp.com/>)
- Website for Compass Loans (<http://compassloans.net>)
- Website for the Lenders Protection Group (<http://usacapitalendersprotectiongroup.com/default.aspx>)
- [4] (<http://lasvegas.fbi.gov/dojpressrel/pressrel09/lv080409.htm>)

Retrieved from "http://en.wikipedia.org/wiki/USA_Capital"

Categories: Pyramid and Ponzi schemes

■ This page was last modified on 13 February 2011 at 17:10.

February 1, 2006

Joseph P. Walls & Ellen Walls Trustees of the Walls Family Trust dated 12/10/97
Joe Walls
2778 Bedford Way
Carson City, NV 89703

Dear Joe,

USA Capital would like to take this opportunity to thank you for investing in our First Trust Deed program. Your investment of \$200000 in the Foxhill 216, LLC loan was funded on 01-26-06. You will start earning interest from 01-26-06.

USA Capital continues to underwrite all loans with the same care and diligence we have used since 1989. The interest for this first trust deed investment will be paid on or before the 10th of each month. USA Capital will fully service your investment, including monthly interest, statements, and tax reporting. If you have any questions or comments, please feel free to call (702) 734-2400. Thank you again.

Sincerely,

USA Capital

PROOF OF CLAIM

Name of Debtor

Jx Hills 216, LLS
USA CAPITAL

Case Number

06-10725
1 LBR

NOTE See Reverse for List of Debtors and Case Numbers

This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor and Address

11321241001104
WALLS FAMILY TRUST DATED 12/10/87
C/O JOSEPH P WALLS & ELLEN WALLS TRUSTEES
2778 BEDFORD WAY
CARSON CITY NV 89703-4618☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.☐ Check box if you have never received any notices from the bankruptcy court or BMC Group in this case.☐ Check box if this address differs from the address on the envelope sent to you by the court.

DO NOT FILE THIS PROOF OF CLAIM FOR A SECURED INTEREST IN A BORROWER THAT IS NOT ONE OF THE DEBTORS.

If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again.

THIS SPACE IS FOR COURT USE ONLY

Creditor Telephone Number (775) 884-2418

Last four digits of account or other number by which creditor identifies debtor

See Attached

Check here ☐ replaces a previously filed claim dated _____ if this claim ☐ or amends

1 BASIS FOR CLAIM

☐ Goods sold☐ Personal injury/wrongful death☐ Retiree benefits as defined in 11 U.S.C. § 1114(a)☐ Unremitted principal☐ Services performed☐ Taxes☐ Wages, salaries, and compensation (fill out below)☐ Other claims against servicer (not for loan balances)☒ Money loaned☐ Other (describe briefly)

Last four digits of your SS #: _____

Unpaid compensation for services performed from _____ to _____ (date) (date)

2 DATE DEBT WAS INCURRED

1/26/2006

IF COURT JUDGMENT, DATE OBTAINED

4 CLASSIFICATION OF CLAIM

Check the appropriate box or boxes that best describe your claim and state the amount of the claim at the time case filed. See reverse side for important explanations.

UNSECURED NONPRIORITY CLAIM \$

☐ Check this box if: a) there is no collateral or lien securing your claim, or b) your claim exceeds the value of the property securing it, or c) none or only part of your claim is entitled to priority.

UNSECURED PRIORITY CLAIM

☐ Check this box if you have an unsecured claim, all or part of which is entitled to priority.

Amount entitled to priority \$ _____

Specify the priority of the claim

☐ Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B)☐ Wages, salaries, or commissions (up to \$10,000*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4)☐ Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5)

SECURED CLAIM

☒ Check this box if your claim is secured by collateral (including a right of setoff).

Brief description of collateral

☒ Real Estate ☐ Motor Vehicle ☐ Other

Value of Collateral \$ See Attached

Amount of arrearage and other charges at time case filed included in secured claim, if any \$ _____

☐ Up to \$2,225* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7)☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8)☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a) (____)

*Amounts are subject to adjustment on 4/1/07 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

5 TOTAL AMOUNT OF CLAIM \$

AT TIME CASE FILED

(unsecured)

\$ 200,000

(secured)

+ \$ 12.5% Interest

(Total)

☒ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

6 CREDITS The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

7 SUPPORTING DOCUMENTS Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.

8 DATE-STAMPED COPY To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is actually received on or before 5:00 pm, prevailing Pacific time, on November 13, 2006 for each person or entity (including individuals, partnerships, corporations, joint ventures, trusts and governmental units).

BY MAIL TO
BMC Group
Attn: USACM Claims Docketing Center
P.O. Box 911
El Segundo, CA 90245-0911BY HAND OR OVERNIGHT DELIVERY TO
BMC Group
Attn: USACM Claims Docketing Center
1330 East Franklin Avenue
El Segundo, CA 90245

THIS SPACE FOR COURT USE ONLY

FILED 33rd 3 2 2006

DATE 9/29/06 SIGN and print the name and title of any of the creditor or other person authorized to file this claim (attach copy of power of attorney if any)

Penalty for presenting fraudulent claim is a fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 AND 3571

USA CMC



1072500400



USA Commercial Mortgage Company
4444 S. Pecos Road
Las Vegas, NV 89121
(702) 734-2400
NV MAIL 9233

FIRST TRUST DEED INVESTMENT

BORROWER

Pachilla 216, LLC

Background

Kent Hoggan has been a developer and home builder since 1973. Focusing solely upon the Western United States with over 80 successful master planned communities. Over 60% of these projects have been sold to national homebuilders under the name of Ridgecrest Homes.

Equity

The borrower currently has more than \$5.6 million in the project.

Guarantee

The loan will be personally guaranteed by Kent Hoggan who has a net worth of approximately \$210 million as of September 30, 2008.

LOAN AMOUNT

\$28,000,000

INTEREST RATE

12.5% (net). Interest is paid monthly for the term of the loan. An interest reserve for the term of the loan is included in the loan amount and will be placed in a reserve account held by a third-party project disbursement company and controlled by USA Capital.

LOAN-TO-VALUE

Approximately 55% based on values of similar properties in the area. An appraisal has been ordered.

TERM

12 months, with two optional extension of six months, provided the loan is performing and no default has occurred, and subject to approval of USA Capital.

COLLATERAL

First Deed of Trust on 687 acres generally known as Fox Hills Phase II, which is currently being planned for about 600 homes. This second phase of the master planned community is waiting for final entitlement approval, which we estimate is close to occur in Summer 2009. Merced County Board of Supervisors has already approved the Fox Hills Preliminary Package with a unanimous vote. The property sits directly on Interstate 5 as well as State Route 152. These attributes provide access to the metropolitan areas of Fresno, San Jose, & Modesto, California. The property is located in the county of Merced.

PROJECT

This project is the second phase of the successful Fox Hills master planned community. It is currently planned to provide 3,100 homes, which when completed will comprise a mixture of high- and medium-density single-family homes, golf course with adjoining homes, and some attractive commercial acreage. It is expected the project will contain a community park and elementary school. National homebuilders have expressed interest in purchasing the bulk of lots in Phase I and are in negotiations to purchase the remainder of lots in Phase II.

USE OF PROCEEDS

The proceeds from this loan will be used to acquire the remainder of the land acreage and water rights needed to complete the Fox Hills master planned community.

USA Capital is one of the nation's leading real estate lenders with more than \$700 million in assets under management. Founded in 1988, USA Capital is a licensed mortgage company that offers qualified investors an opportunity to participate in first deed investments that are short term, provide returns of 11 to 12.5%, and are secured by real estate.

EXHIBIT B

864-0470



USA Commercial Mortgage Company
4444 S. Pecos Road
Las Vegas, NV 89121
(702) 734-2400
NV MAIL 9233

MARKET AREA

Situated among rolling topography and stunning views, Fox Hills provides to be one of the region's finest new communities. The majority of new residents are relocating to the area from San Jose, Salinas, Monterey, and Watsonville, many of whom are upgrading from their existing homes. Fox Hills is situated near the City of Los Banos, which provides day-to-day amenities that enhance the well being of residents including a diverse selection of restaurants, health care services, shopping centers, and education facilities.

EXIT STRATEGY

The project is currently being pursued by large real estate syndicates. Property could be sold "as-is" for a substantial profit. Our borrower believes that profits can be maximized if he waits until completion of the property entitlements. The borrower is currently working to complete all entitlements while simultaneously entertaining offers from potential buyers.

DATE

January 4, 2008

CONTACT

USA Capital
(702) 734-2400
info@usacapital.com

DISCLOSURES

Money invested through a mortgage broker is not guaranteed to earn any interest or return and is not insured. Before investing, investors must be provided applicable disclosure documents. Past performance is not necessarily indicative of future results. All real estate markets can be negatively impacted by interest rates, availability of capital, supply and demand factors, and general economic conditions locally, regionally and nationally. Any investor should review this loan summary proposal with these risks in mind and make an investment decision on existing market conditions and potential changes in the economy, as well as his or her own personal investment objectives and risk tolerance.

EXHIBIT B

564-0471